



BETTER PENSIONS – A MORE **SECURE** FUTURE

Women and Pensions

Canada's pension system is under scrutiny. The inadequacies of the existing private retirement savings system have raised concern among federal and provincial finance ministers, CUPE members and workers across the country.

The financial market meltdown of 2008-2009, and the economic recession that followed, exposed new vulnerabilities in our already weak private retirement savings system. The loss of personal investments, workplace pension plans, and the effects of the crisis on nearly-retired workers have helped fuel this sense of urgency. The baby boom generation is at or near retirement – many without workplace pension coverage or adequate financial resources. The need to fix the system is now high on the agenda, but not all of the proposed solutions will help women, who are more likely to face poverty in retirement.

Today, women make up the majority of the Canadian population and of the paid workforce. Yet women are disproportionately represented in the low-wage, unstable and part-time categories of employment, and are thus least likely to have a workplace pension plan. Women working full-time on average earn only 72 per cent of what men working full-time earn.

What does Canada's retirement income system look like?

There are four parts to Canada's retirement income system. The first two parts are the "public pension system" made up of Old Age Security (OAS), the Guaranteed Income Supplement (GIS) and the Canada Pension Plan (CPP). The other two parts are workplace pensions and personal retirement savings.

BETTER PENSIONS, A MORE SECURE FUTURE: WHAT YOU CAN DO:

- For more information about our campaign "Secure Retirement Incomes for All" go to www.cupe.ca.

1. OAS pays a monthly flat-dollar amount at age 65 to people who have resided in Canada for at least 10 years after age 18. Only those who have resided in Canada for 40 years after age 18 receive the full OAS benefit. Those who do not meet the requirements receive a pro-rated amount.

The GIS is an additional monthly benefit paid only to the poorest seniors. It is an income-tested program. Both OAS and GIS are considered anti-poverty programs. Today, the maximum amount a single individual can receive from OAS and GIS combined is \$14,033. This amount is below the poverty line if one were to live in a large Canadian city. Fourteen per cent of senior women live in poverty according to Statistics Canada.

2. The CPP is an earnings-related pension plan run by the federal government for all workers regardless of their employment status. The size of the retirement paycheque depends on contributions made by the worker and her employer. Contributions are a percentage of one's earnings up to a maximum which is set annually by the government. The impact of the inferior hours of work and earnings patterns of women workers are clearly illustrated in the CPP benefits collected by women retirees. On average, in May 2010 male beneficiaries received \$ 595.24 per month, which is 45 per cent more than the female beneficiaries' average of \$ 411.31 per month.

3. Workplace pension plans – for those workers who have them – are mainly of two types. One is called defined benefit (DB), which is the type that CUPE advocates for members. The other is called defined contribution or money purchase (DC). Most of our DB plans are earnings-related, which means they too mirror the inequities of

salaries and hours of work among men and women in the workforce. Again, women's retirement paycheques tend to be significantly less than men's.

DC plans are growing phenomena. The pay from these plans depends on the amount of money a worker has in her account and the prevailing interest rates of the day. DC plans put women at a severe disadvantage due to the reality of their lower wages and less-than full-time work.

While all workers participate in the CPP, not all have a workplace pension plan. CUPE members without a workplace pension plan work mostly in the social service sector, including child care. There are also many part-time, casual workers in precarious jobs in other sectors who do not have a workplace pension plan, the majority of whom are women. Women who are employed in the public sector are more likely to belong to a workplace pension plan. More women than men belong to public sector pension plans across the country. More men than women belong to private sector workplace pension plans. Women benefit from good public sector jobs.

4. Personal savings including property, stocks, tax free savings accounts and RRSPs are the last tier of our system. However, these tax-assisted private savings plans have not fared well. Subject to certain rules, taxpayers may contribute up to 18 per cent of their previous year's earnings to an RRSP. The dollar limit in 2010 is \$22,000. This means that if a taxpayer were to make the maximum contributions, her earnings level would be around \$122,000 per year. But given their relatively lower earnings, women find it more difficult to save money.

Between 1997 and 2008, the number of Canadian taxpayers who contributed to an RRSP dropped from 47 per cent to 34 per cent. Noticeably, 86 per cent of the richest Canadians buy RRSPs whereas only 9 per cent of the lowest paid Canadian taxpayers buy RRSPs. Yet, the federal government will forego \$12.9 billion in lost revenue in 2010 to allow RRSP deductions primarily to high income earning Canadians – those who are most likely to have workplace pension plans and other assets to assist them towards retiring with dignity.

CUPE's response

CUPE's position is that the inadequacies of the existing private system have been overlooked. In some cases, we wonder if this disregard is intentional, motivated out of a desire to avoid or discourage changes to policies that have costs attached. In others, we know that it is fostered by powerful lobbying on behalf of private interests who see public pension options, such as expansion of the CPP, as simply competition for business.

Poor public policy choices have made the shortcomings of this private system even more noticeable. Inadequate public funding for long-term care, rising drug costs, home care, and other expenses commonly faced by seniors have made the security and adequacy of retirement incomes even more important – at the same time that workplace plans, and even aspects of our public pension system, have come under attack. CUPE and the Canadian Labour Congress are engaged in a campaign to “Secure Retirement Incomes for All.” Our proposals include greater protection for workplace pensions, improved

defined benefit coverage for workers, and increases to the CPP and the GIS.

To level the field for women workers, CUPE is also calling for measures to raise women's wages, such as pay equity legislation, an increased minimum wage, ensuring more access to full-time and permanent jobs, and employment equity legislation to ensure women have access to a wider range of careers.

A national child care program is another step to ensuring that women have adequate pensions. Women take the majority of unpaid leaves to care for children, thereby reducing their pensionable service. Improved child care—which CUPE is lobbying for—will allow women to continue working and earning better pension entitlements.